

**Commonwealth of Massachusetts**  
**Department of Telecommunications and Energy**  
**Fitchburg Gas and Electric Light Company**  
**Docket No. D.T.E. 02-24/25**  
**Responses to the Attorney General's Third Set of Information Requests**

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**Request No. AG-3-1 (Electric)**

Please explain the relationship between the costs reflected in the COSS JLH 2-2 under Transmission and the costs that are reflected in Fitchburg's Open Access Transmission Tariff.

**Response:**

Schedule JLH 2-2 presents a functional cost of service study for Transmission and Distribution based on a 2001 test year, as adjusted. This study was prepared using cost allocation procedures commonly used by Management Applications Consulting, Inc. ("MAC") in performing cost studies for Massachusetts utilities as well as for clients in other jurisdictions. The transmission costs within the Transmission cost study include internal transmission costs but exclude external transmission costs.

The costs reflected in Fitchburg's Open Access Transmission Tariff are also based on a functional cost of service study. This study, based on a 1997 test year, was prepared using cost allocation procedures accepted by the Federal Energy Regulatory Commission ("FERC"). Similar to Schedule JLH 2-2, internal transmission costs are included while external transmission costs are excluded. With respect to internal transmission costs, there is a major distinction. Fitchburg's Open Access Transmission Tariff includes only costs associated with Fitchburg's non-Pool Transmission Facilities. Schedule JLH 2-2 includes costs associated with all of Fitchburg's internal transmission, which includes Pool Transmission Facilities as well.

In summary, while there is relationship between the costs in that they represent internal transmission costs, there is not a dollar for dollar relationship. First, the studies used different test years. The 2001 study also includes proforma adjustments. Two, the functional allocations of indirect costs differ slightly in that the method used for Fitchburg's Open Access Transmission Tariff is based on a simplified approach while the model used by MAC in Schedule JLH -2 is generally more sophisticated. Third, the costs included in Fitchburg's Open Access Tariff represent only a portion of the internal costs that are reflected in Schedule JLH 2-2.

Note that it is for these reasons (different time periods, use of proforma adjustments in 2001, and different allocations) that the Transmission cost of service study results show a deficiency in earnings. FG&E is seeking authorization from the Department to adjust only that portion of the total revenue requirements identified for Distribution.

**Person Responsible:** James L. Harrison and Karen M. Asbury